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## **QUALI-SMART HOLDINGS LIMITED**

**滙達富控股有限公司** \*

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1348)**

### **PROFIT WARNING**

This announcement is made by Quali-Smart Holdings Limited (the “**Company**” together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

The Board would like to inform Shareholders and potential investors of the Company that based on the information currently available to the Board, the Group is expected to record a material increase in the consolidated net loss attributable to owners of the Company for the year ended 31 March 2020 (“**FY2020**”) as compared with the year ended 31 March 2019 (“**FY2019**”). Such increase in consolidated net loss is mainly attributable to the impairment loss on goodwill attributable to Crosby Securities Limited (“**CSL**”) for FY2020. The Board currently expects that the estimated amount of such possible impairment loss on goodwill in FY2020 would be not less than HK\$43 million. As a result, the Board currently expects that the consolidated net loss attributable to owners of the Company for FY2020 would widen by at least the above estimated amount of possible impairment loss on goodwill, when compared with the consolidated net loss attributable to owners of the Company of about HK\$35.8 million for FY2019.

Based on the preliminary information currently available to the Board, despite CSL showing a material increase in revenues during FY2020 when compared with FY2019, the Board has revised the forecasts of CSL for determining the value-in-use of the cash generating unit of CSL downwards for the following reasons:

- 1) while CSL continues to have a healthy pipeline of initial public offering underwriting transactions, it is envisaged that there might be increased uncertainty in the timetable of completion of transactions due to disruptions in the preparation process of the listings caused by travel lockdown situations arising from the COVID-19 pandemic. Business performance of the issuer clients might also be affected by the COVID-19 pandemic which might affect the feasibility of the transactions. The increased volatility in the global capital markets as a result of the pandemic as well as the threats on the removal of the special tariff status of Hong Kong by the United States may also further

hamper investors' sentiments towards the small-mid cap sector in the equity markets in Hong Kong, which might cause capital raising windows to tighten abruptly. As a result, it is expected that more collaboration with other underwriters would be required to complete transactions and hence a more conservative allocation has been assumed for CSL in its underwriting transactions going forward, which would affect its growth in underwriting fee revenues;

- 2) while CSL recorded a substantial increase in investment advisory fees in FY2020 based on its preliminary management accounts due to the outstanding performance of the US securities markets prior to the outbreak of the COVID-19 pandemic, the US markets have substantially corrected since March 2020, which might impact the performance of the investment advisory business in the next financial year; and
- 3) as, in March and May 2020, the Company redeemed a material portion of the HK\$110 million convertible notes which were issued in 2017 in cash, the capital base for the businesses of CSL has decreased after the redemptions. With this development, it is envisaged that CSL will no longer engage in businesses which rely on generating interest and fee income on deployment of capital, such as securities margin and principal financing businesses, in the foreseeable future.

As a result of these factors, the forecast for assessing the value-in-use of the CSL cash generating unit has been revised downwards, leading to a lowered preliminarily assessed recoverable amount of the CSL cash generating unit of about HK\$140 million, thus causing an estimated amount of possible impairment loss on goodwill in FY2020 of not less than HK\$43 million.

The information contained in this profit warning announcement is based on the preliminary assessment by the Board of the latest information currently available to it and is not based on any figures or information which have been confirmed or audited by the Company's auditors. The audited consolidated final results of the Group may be subject to further adjustments following further review by the Board, discussions with the auditor and valuer of the Company and completion of the required auditing procedures. Details of the final audited annual results of the Group for the year under review are expected to be published on or before 24 June 2020 in compliance with the requirements of the Listing Rules.

**WARNING:**

**Shareholders and potential investors are advised to exercise caution in dealing in the Shares in the Company. Persons who are in doubt as to the action they should take should consult their licensed securities dealers or registered institutions in securities, bank managers, solicitors, professional accountants or other professional advisers.**

By order of the Board  
**Quali-Smart Holdings Limited**

**LAU Ho Ming, Peter**  
*Executive Chairman*

Hong Kong, 15 June 2020

*As at the date of this joint announcement, the Board comprises three executive Directors: Mr. Lau Ho Ming, Peter (Executive Chairman), Mr. Poon Pak Ki, Eric and Mr. Chu Raymond; one non-executive Director: Madam Li Man Yee, Stella; and three independent non-executive Directors: Mr. Leung Po Wing, Bowen Joseph GBS, JP, Mr. Chan Siu Wing, Raymond and Mr. Wong Wah On, Edward.*